

FINANCIAL REPORTING ADVISORY BOARD

ANNUAL REPORT
2025-2026

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Financial Reporting Advisory Board:

Annual Report 2025-26

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Contents

Foreword	6
Year highlights 2025-26	7
Introduction	8
Board activities 2025-26	9
Overview	9
Financial reporting requirements	10
Accounting standards	12
Financial thematic reviews	13
Sustainability and other reporting	15
Governance and future work	17
FRAB membership	18
Responsibilities of Board members	18
Membership	19
Attendance	20
Glossary of common terms	21
Useful links	22

Foreword

I am pleased to present my first annual report as Chair of the Financial Reporting Advisory Board (FRAB).

Over the past year, financial reporting issues within the local government sector in England remain an important area of focus. The Board continues to engage closely with key stakeholders, including CIPFA and the Ministry of Housing, Communities and Local Government (MHCLG), as they explore options for the development and implementation of sustainable solutions to ongoing reporting and audit challenges.



During the year, the thematic review on non-investment asset valuations concluded and as a result, several important changes to reporting requirements have been incorporated into the FReM. These include changes to the measurement of property, plant and equipment, with assets now valued on a five-year cycle supported by indexation in intervening years, and the clarification of the use of the historical cost model for certain intangible assets. The Board intends for these changes to improve consistency, rationalise disclosure obligations, and enhance the understandability of financial statements for users.

Sustainability reporting also continues to be a key area of development. The Board has supported HM Treasury in progressing Task Force on Climate-related Financial Disclosure aligned disclosure guidance, including the publication of application guidance for Phase 3 of implementation. The Board will continue to monitor developments to ensure that public sector reporting remains aligned with best practice.

Progress has also continued in strengthening the governance and effectiveness of the Board following the National Audit Office's Effectiveness Review in 2023–24. The Board conducted its first annual performance review in March 2026, in line with the National Audit Office (NAO)'s recommendation, and a number of useful points were made that will help the Board in performing its role effectively in the future. We will continue to monitor Board effectiveness and to identify areas for improvement.

I would like to thank all Board members for their ongoing commitment, expertise, and constructive challenge during Board discussions. Their contributions have been essential to the continued development and improvement of public sector financial reporting requirements over the course of the past year. I would also like to thank HM Treasury for its continued support to the Board.

I look forward to working with members and stakeholders in the coming years as we continue to enhance the quality and effectiveness of financial reporting across the public sector.

Ian Carruthers

Year highlights 2025-26



Oversaw updates to the 2025-26 FReM and the publication of the 2026-27 FReM



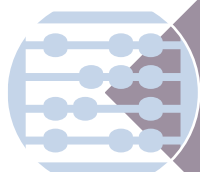
Approved additional IFRS 17 guidance



Concluded non-investment assets thematic review



Agreed targeted simplification of machinery of government (MoG) changes



Advanced sustainability reporting and Task Force on Climate-related Financial Disclosure (TCFD) implementation



Engaged with key external stakeholders



Reviewed Board effectiveness

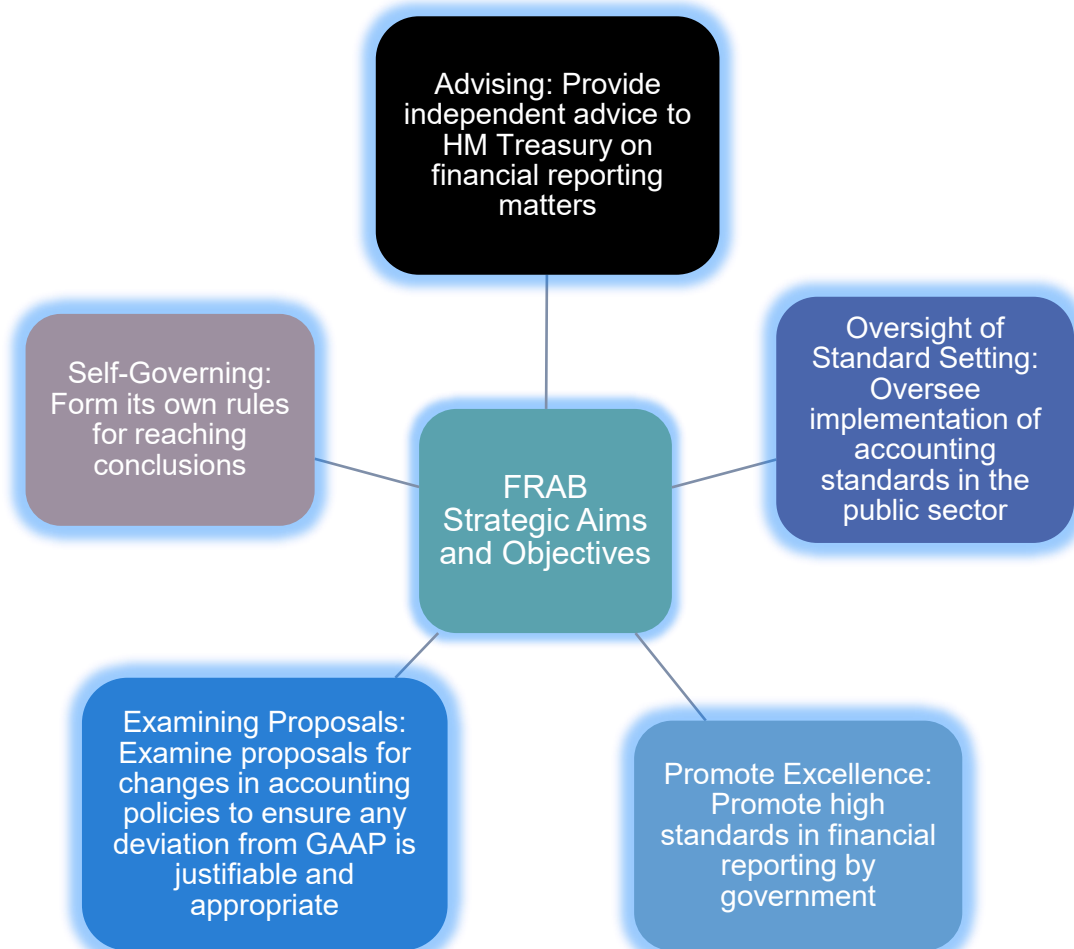
Chapter 1 - Introduction

Who we are and our work

The Financial Reporting Advisory Board (FRAB) is an advisory board formed of relevant experts in the finance profession and representatives of the relevant authorities. The Board is independent of government. Section 24 of the [Government Resource and Accounts Act 2000](#) sets out the legal requirement for the formation of the FRAB.

Members are categorised into four core groups and further detail on each category can be found in the [FRAB Terms of Reference](#). The Terms of Reference also provides a full breakdown of the FRAB's governance.

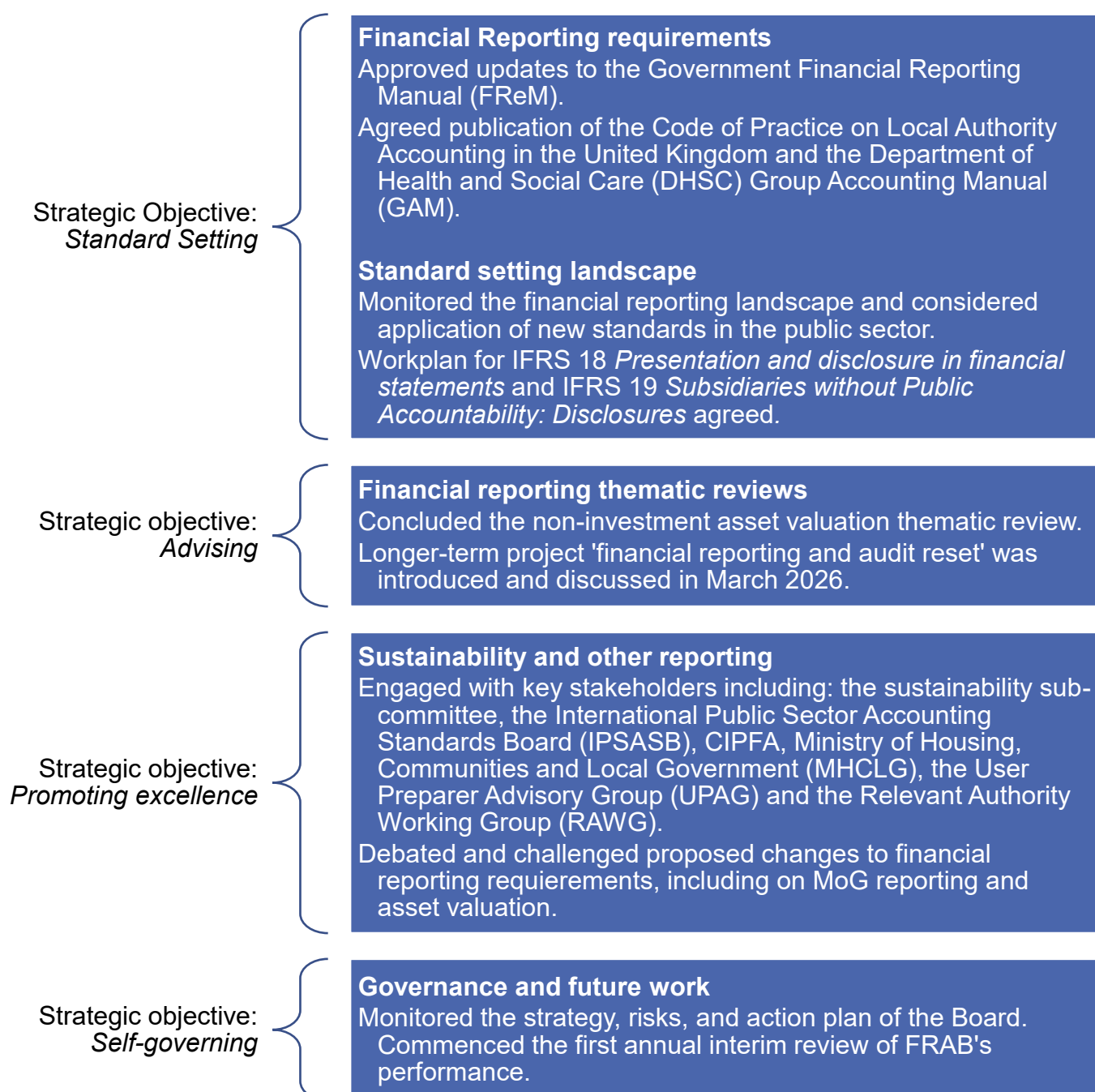
The role of the FRAB is to provide independent advice on financial reporting policy and standards to the Treasury, the Scottish Ministers, and the Executive Committee of the Northern Ireland Assembly. In doing so, FRAB ensures that government financial reporting meets the best possible standards by following Generally Accepted Accounting Practice (GAAP) as far as possible.



Chapter 2 – Board activities 2025-26

Overview

The Board's key activities for 2025-26 are summarised below and expanded upon in the following pages.



Financial reporting requirements

Approved updates to the Government Financial Reporting Manual (FReM). Agreed publication of CIPFA Code and the DHSC Group Accounting Manual (GAM).

Government Financial Reporting Manual (FReM) 2025-26 and 2026-27

The FReM is HM Treasury's technical accounting guide for the preparation of financial statements. It provides requirements and guidance on the application of IFRS, as adapted and interpreted for the public sector context. The Board provides a valuable review of the guidance as part of the quality assurance process and confirms the appropriateness of the guide.

The Board dedicated significant time to the consideration of proposed amendments to the 2025-26 FReM, the 2026-27 FReM, and accompanying illustrative statements at the November Board meeting.

Regarding in-year amendments for the 2025-26 FReM, HM Treasury made several changes to improve clarity of the guidance, and to incorporate key changes to requirements agreed by the Board during the year. These included removing the requirement to disclose a 3rd Statement of Financial Position (SoFP) following Machinery of Government changes, clarifying fair pay disclosure calculation guidance, and updating the asset valuation guidance in line with the conclusions of the valuation of non-investment assets project. The Board supported these changes.

Regarding changes to the 2026-27 FReM, the Board asked HM Treasury to review changes to outcomes and delivery plans that may affect performance reporting requirements in the 2026-27 FReM and to make the relevant changes. Members discussed the potential to further examine disclosures in the future, particularly in reference to the Department for Business and Trade's (DBT) project to modernise corporate reporting.

The Board also agreed to HM Treasury's recommendation to review changes made to the FReM routinely every 3 years following implementation to determine whether they have had the desired effect and are delivering sufficient value to users.

The 2025-26 and 2026-27 manuals and accompanying illustrative statements were approved. Both copies of the FReM and the amendment record are available on [GOV.UK](https://gov.uk).

Section 8 of the FReM provides details of the interpretations and adaptations made to UK adopted International Accounting Standards. The accompanying amendment record document shows that the only new adaptation approved during the year resulted from the conclusion of the Non-Investment Asset Thematic Review, as discussed on page 13 of this report.

Local Authority Accounting Code

The Board received an update on the CIPFA / Local Authority (Scotland) Accounts Advisory Committee (LASAAC)'s development of the *Code of Practice on Local Authority Accounting in the United Kingdom (the Code)* at the June meeting of the Board. The Board held a discussion of exchange and non-exchange transactions and binding and non-binding arrangements, enabling CIPFA to redraft areas of the code.

In November, CIPFA provided a further code update along with separate updates on the work of the Better Reporting Group. Among matters discussed were potential changes relating to Expenditure and Funding Analysis and accounting for pensions.

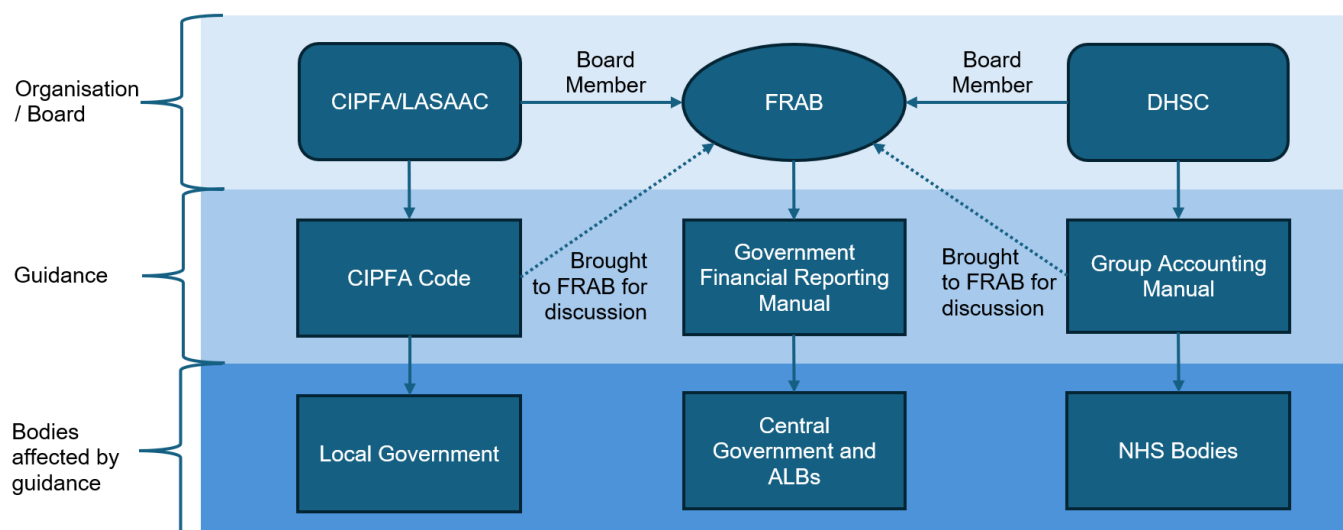
The Board agreed that further work would be required in relation to pensions accounting before any proposal could be taken forward and CIPFA confirmed they would continue to explore options and return to the Board in due course. The Board reviewed and agreed to the publication of the updated CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2026-27.

Group Accounting Manual (GAM) (Department of Health and Social Care)

The DHSC Group Accounting Manual (GAM) is broadly in-line with the FReM and provides technical guidance to DHSC group bodies.

As part of the annual review cycle of financial reporting guidance in the public sector, the Board was presented with the changes made to the 2026-27 version of the GAM at the March 2026 meeting. The Board reviewed and approved the 2026-27 Manual for publication. This included alignment with the FReM following the resolution of the non-investment valuation thematic review. DHSC intend to remove the alternative-site basis in 2029 to remain consistent with FRAB's conclusions.

FRABs role in UK Public Sector Financial Reporting



Accounting standards

Monitored and evaluated the financial reporting landscape and considered the application of new standards in the public sector.

Additional guidance on the application of IFRS 17

At the June 2025 meeting, HM Treasury presented additional guidance on the application of IFRS 17 regarding the application of IFRS 17 paragraph B11 on risks created by the contract and the distinction between insurance contracts and financial instruments. Board members discussed whether additional guidance would be helpful or whether the standard was sufficiently clear, before supporting the publication of the guidance due to its practical value, especially for bodies with limited technical resources.

Workplan for IFRS 18 Presentation and Disclosure in Financial Statements

At the March 2026 meeting, HMT presented an update on IFRS 18 *Presentation and Disclosure in Financial Statements* to the Board, having convened a technical working group. Members were broadly unanimous that adaptations to the standard should be limited to enable maximum IFRS alignment with changes limited to terminology changes. The Board agreed that the interaction of Management Performance Measures (MPMs) with budget-based performance metrics should be explored further ahead of a final recommendation to the Board.

Workplan for IFRS 19 Subsidiaries without Public Accountability: Disclosures

The Board reviewed the workplan for IFRS 19 at its June 2025 meeting. The Board discussed the definition of public accountability, and options for adaptations of the standard for public sector application. The Board noted the standard's potential to generate cost savings and the project's interaction with other reporting including the Whole of Government Accounts.

Financial reporting thematic reviews

Received updates and advised on the non-investment asset thematic review.

Non-investment asset thematic review

FRAB continued to oversee the implementation of HM Treasury's thematic review of non-investment asset valuation for financial reporting purposes. Changes to the non-investment assets valuation regime were implemented in the 2025-26 FReM published in December 2024. There was one new additional FReM adaptation for 2025-26 as a result. These changes simplified the reporting requirements, striking a careful balance between high quality financial reporting, the requirements of the valuation regime and the benefits to users. For further detail, please see the Board's Annual Report for 2024-25.

In 2024-25, FRAB endorsed the start of a separate workstream to cover the measurement of land within a DRC valuation. In November 2025, HM Treasury reflected the technical working group view that Modern Equivalent Assets (MEA) principles should be applied to land when depreciated replacement cost (DRC) is the valuation methodology used to value an asset. During the discussion the following points key emerged:

- It was positive that the MEA approach aligns with the Royal Institute of Chartered Surveyors (RICS) guidance.
- DRC valuations under Existing Use Value measure the cost of replacing the service potential of the asset in its existing use, which means the MEA land size used for the DRC valuation can differ from the actual land size. As services are provided by both buildings and land together, the accounting treatment should be consistent.
- In IFRS, land and buildings can be used as a single class of assets.

Although the Board did not reach a unanimous decision on land valuation where DRC is used to value a property, there was sufficient agreement amongst Board members to bring the discussion to a conclusion and MEA principles will continue to apply to land. The Board also agreed to HM Treasury's proposal to remove the requirement to consider alternative locations in a DRC valuation in the 2028-29 FReM, acknowledging that alternative sites valuations required too many assumptions about policy decisions that have not yet been made. This change seeks to reduce the number of judgements and costs for departments, while maintaining high quality financial reporting. HM Treasury also agreed to permit early adoption for departments with HM Treasury's approval.

Machinery of Government (MoG) changes

The Board had a further discussion about changes to the reporting of Machinery of Government changes (following an earlier discussion in March 2025). In November 2025, HM Treasury brought the conclusions of the technical working group to the Board. The Board were content to support targeted simplification, such as removing the requirement for a third Statement of Financial Position in the year of a MoG change in some cases. The Board noted the reasoning for retaining both merger and absorption accounting, but reflected on concerns about data continuity, accountability, and feasibility. Instead, the Board agreed more incremental improvements such as moving absorption gains and losses to reserves and clarifying transferor accounting as an IFRS adaptation in the FReM.

Sustainability and other reporting

Received updates from key stakeholders including the Sustainability Sub-Committee on TCFD (Task Force on Climate-Related Financial Disclosures).

FRAB Sustainability Sub-Committee (FRAB-SSC)

At the June 2025 meeting, the Board noted an update on the revised Sustainability Reporting Guidance (SRG) for 2025-26, following the Sustainability Reporting Thematic Review presented in March 2025. The updated SRG adopted a materiality-based approach for most requirements, while setting minimum reporting requirements on greenhouse gas emissions (Scope 1 and 2), water, waste, and carbon offsets, with TCFD-aligned disclosures fully incorporated. The Board received an update from New Zealand's External Reporting Board on their experience of mandatory TCFD-aligned disclosures, with proportionality, brevity, and caution around any transition from TCFD to IFRS S2 emphasised as key considerations. The Board also heard from a member of IPSASB, who emphasised the importance of its work on sustainability reporting.

At the March 2026 meeting, the Board discussed TCFD implementation progress and governance options for future sustainability standards. Whilst progress was steady, issues with inconsistent risk assessments and overstated compliance were noted, with a Good Practice Reporting Guide published in response. The Board supported HM Treasury's proposal to establish a hybrid Sustainability Subcommittee of FRAB and non-FRAB members, with HM Treasury to bring draft terms of reference to a later 2026 meeting. The Board urged HMT to return to them with further information about how sustainability reporting guidance could fit into the Board's remit, bearing in mind the varying pace and approaches being adopted by the Relevant Authorities.

The Board agreed with HM Treasury's proposal to defer consideration of future sustainability standards, beyond TCFD, pending key landscape developments, including the adoption of UK SRS-aligned disclosures in the private sector, and further IPSASB work on SRS 1 for Public Policy Programmes.

Ahead of the meeting, members from the previous subcommittee and the FRAB Chair met to discuss the proposals in more detail and were broadly supportive. No other subcommittee meetings were held during the year.

Working Groups

In 2025-26, the Board continued to welcome presentations from a number of key external stakeholders.

User and Preparer Advisory Group (UPAG)

The Group provides independent recommendations and advice to HM Treasury to further the improvement of financial reporting in the public sector. The Group includes academics, independent members, departmental representatives, and representatives from the House of Commons and Institute of Chartered Accountants in England and Wales (ICAEW).

Summaries of the Group's recommendations and advice have been presented to the Financial Reporting Advisory Board as part of FRAB meetings in 2025-26.

Relevant Authority Working Group (RAWG)

The Group ensures that financial reporting guidance for reporting entities is kept up to date. Membership comprises representatives from HM Treasury, CIPFA, the Northern Ireland Executive (NIE), the Scottish Government, the Welsh Government, the Department for Health and Social Care, the Ministry for Housing, Communities and Local Government, and NHS England).

Summaries of the Group's discussions and advice have been presented to the Financial Reporting Advisory Board as part of FRAB meetings in 2025-26.

Local government

In 2025-26, the Board received updates from both CIPFA and MHCLG on the continued challenges relating to local government accounts and audit. This included updates on actions taken to address the local audit backlog and potential future areas of system and reporting reform. The Board will continue to scrutinise proposals in 2026-27.

External Presentations

During the year, the Board welcomed several external presentations on a wide range of topics, detailed below:

- **New Zealand's External Reporting Board** on sustainability reporting
- **IPSASB** provided an update on their ongoing work and upcoming standards.
- **NAO Value for Money team** presented their report on Accountability of Small Government Bodies.
- **MHCLG** provided an update on local audit reform.
- **Financial Reporting Council (FRC)** presented on audit regulation.

Strategic Objective: Self-governing

Governance and future work

Monitored the strategy, risks, and action plan of the Board.

Recommendations from the FRAB effectiveness review enacted.

FRAB Strategy, risk register and action plan

The FRAB Strategy, risk register and action plan is a standing agenda item, allowing members to review the risks, strategy and future topics to be covered by the Board.

Following the recommendations in the NAO's Effectiveness Review, the Strategy, Risk Register, and Action Plan have been updated and reviewed by the Board at every FRAB meeting during 2025-26.

FRAB effectiveness review

FRAB's Terms of Reference states that it will undertake a review of its effectiveness at least once every three years. The Board's most recent effectiveness review was published in March 2024, this was conducted by the NAO.

As highlighted in the FRAB 2024-25 Annual report, the review made several recommendations including: that the Board should expand its terms of reference; that it should perform interim evaluations of performance; and that it should undertake succession planning.

In response to the review, HM Treasury and FRAB have undertaken an interim performance review in March 2026, this was the first annual performance review and will take the Board to its next effectiveness review to be completed in 2026-27.

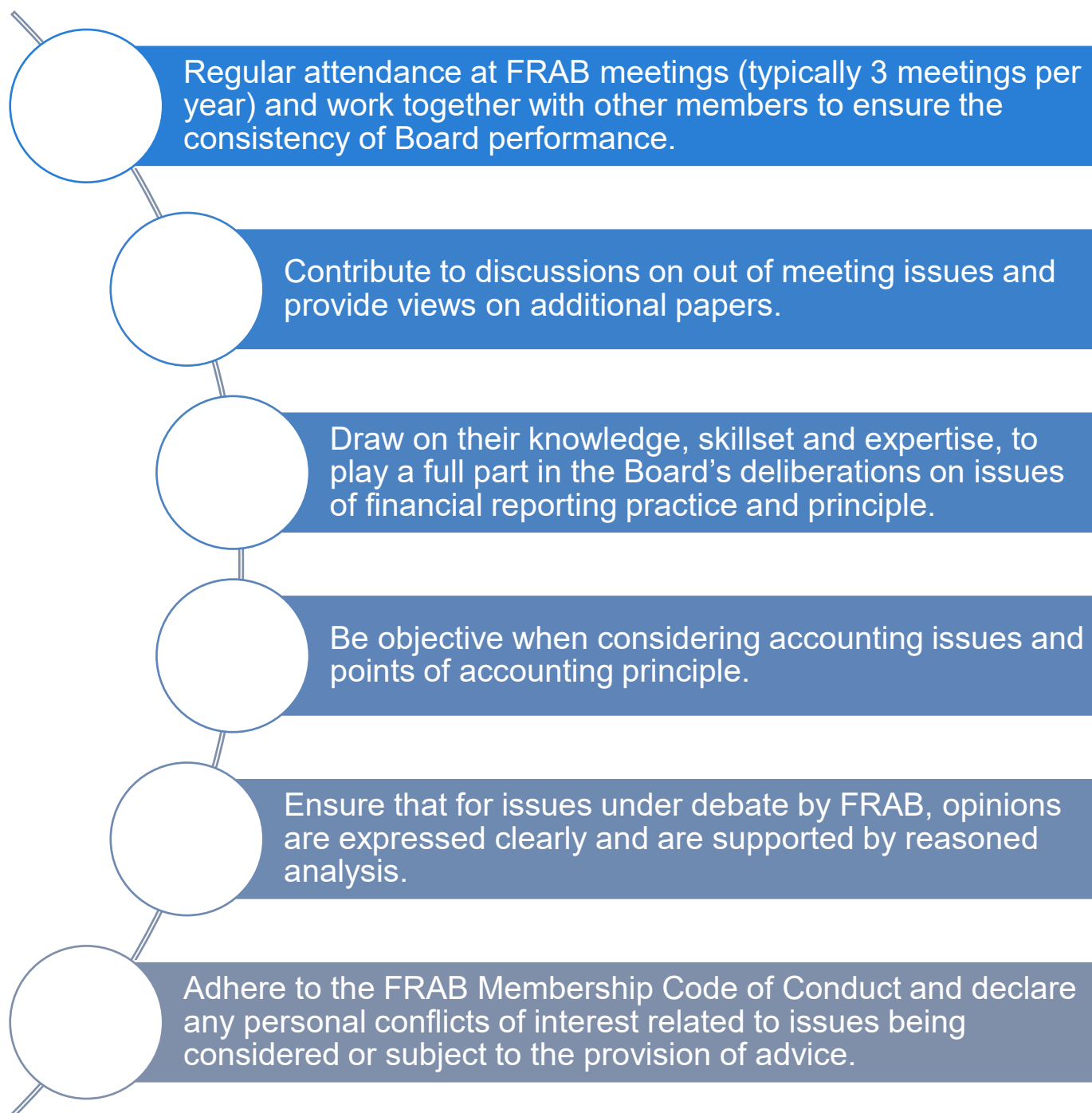
Future meetings FRAB effectiveness review

The Board meets at least 3 times a year. Below are the planned meeting dates for 2026-27:

- 18th June 2026
- 19th November 2026
- March 2027

Chapter 3 – FRAB membership

Responsibilities of Board members



The graphic above showcases the key responsibilities of the members of FRAB.

Membership

This graphic shows the breakdown of FRAB membership and observers during 2025-26 by core group and includes the names of members within those groups.

Independent Chair	Ian Carruthers (<i>International Non-profit Reporting Foundation - INPRF</i>)	
Independent members	Henning Diederichs (ICAEW) Jenny Carter (Financial Reporting Council)	Mike Metcalf (Retired) Jasmine Mathews (HSBC)
Preparers/Users	Mike Sunderland (Department for Education) Ian Webber (Department for Science, Information and Technology)	Adrian Hannell (Ministry of Justice) Ryan Oliver / Eduard Moskalenko (Office for National Statistics) Jill Roberts (MHCLG) Christine Golding (Local preparer)
Auditors	James Osborne (NAO) Anthony Veale (Audit Wales)	
Relevant Authorities	Charlotte Goodrich (HMT) Jackie McAllister (Scottish Government) Kim Jenkins (Welsh Government) Stuart Stevenson (NIE)	Ian Ratcliffe (NHS England) Vanessa Singleton (DHSC) Iain Murray (CIPFA)
Parliamentary Observer	Alex Knight (Parliamentary official) Luke Charters MP (Parliamentary observer until November 2025)	
Other Observers	Conrad Hall (CIPFA)	

Membership notes:

- **Ian Carruthers** was also IPSASB Chair until 31 December 2025.
- **Eduard Moskalenko** joined in March 2026 as the ONS representative, replacing **Ryan Oliver**.
- **Ian Webber** left FRAB at the end of his membership term in March 2026, after 9 years' service.

Attendance

The following table outlines the FRAB members attendance at main meetings as per the minutes [published on GOV.UK](#).¹

The graphic below showcases the attendance of each member of the board alongside the overall attendance at each main meeting and the average attendance for the year.

	Meeting Date	Jun-25	Nov-25	Mar-26	Overall
1	Adrian Hannell	✓	✓	✓	100%
2	Anthony Veale	✓	✓	✓	100%
3	Charlotte Goodrich	✓	✓	✓	100%
4	Christine Golding	✓	✓	✓	100%
5	Eduard Moskalenko			✓	100%
6	Henning Diederichs	✓	✓	✓	100%
7	Ian Carruthers	x	✓	✓	67%
8	Iain Murray	✓	✓	✓*	100%
9	Ian Ratcliffe	✓	✓	✓	100%
10	Ian Webber	✓	✓	✓	100%
11	Jackie McAllister	✓	✓	✓	100%
12	James Osborne	✓	✓	✓	100%
13	Jasmine Mathews	✓	✓	✓	100%
14	Jenny Carter	✓	✓	✓	100%
15	Jill Roberts	x	✓	✓	67%
16	Kim Jenkins	✓	✓	x	67%
17	Mike Metcalf	✓	x	✓	67%
18	Mike Sunderland	✓	✓	✓	100%
19	Ryan Oliver	✓	✓		100%
20	Stuart Stevenson	✓	✓	✓	100%
21	Vanessa Singleton	✓	x	✓*	67%
	Overall	90%	90%	95%	
	Average				95%

¹ If a member was unable to attend a meeting, a deputy can be sent with agreement from the Chair. Where this is the case, attendance has been marked with an asterisk in the above table.

Glossary of common terms

ARA	Annual Report and Accounts
CIPFA/LASAAC	The Chartered Institute of Public Finance & Accountancy / Local Authority (Scotland) Accounts Advisory Committee
DHSC	Department of Health and Social Care
MHCLG	Ministry of Housing, Communities and Local Government
FRC	Financial Reporting Council
FRAB	Financial Reporting Advisory Board
FReM	Government Financial Reporting Manual
GAAP	Generally Accepted Accounting Practice
GAM	Group Accounting Manual
GRAA	Government Resource and Accounts 2000
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS IC	International Financial Reporting Standards Interpretations Committee
ISSB	International Sustainability Standards Board
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
NAO	National Audit Office
PACAC	Public Administration and Constitutional Affairs Committee
RAWG	Relevant Authority Working Group
The Code/ CIPFA Code	Code of Practice on Local Authority Accounting in the United Kingdom
UPAG	User Preparer Advisory Group
WGA	Whole of Government Accounts

Useful links

FRAB page	https://www.GOV.UK/government/groups/financial-reporting-advisory-board-frab
FRAB Terms of Reference	https://www.GOV.UK/government/publications/financial-reporting-advisory-board-terms-of-reference
FRAB minutes and papers	https://www.GOV.UK/government/collections/hmt-financial-reporting-advisory-board-minutes
FRAB news and publications	https://www.GOV.UK/government/collections/financial-reporting-advisory-board-frab-annual-report
FRAB effectiveness review	https://www.GOV.UK/government/collections/hmt-financial-reporting-advisory-board-effectiveness-reviews
Government Financial Reporting Manual	https://www.gov.uk/government/collections/government-financial-reporting-manual-frem
Government Financial Reporting Review	https://www.GOV.UK/government/publications/the-government-financial-reporting-review
HMT Thematic Reviews	https://www.GOV.UK/government/collections/thematic-reviews-government-financial-reporting
User Preparer and Advisory Group	https://www.GOV.UK/government/collections/user-and-preparer-advisory-group
DHSC GAM	https://www.gov.uk/government/collections/department-of-health-group-accounting-guidance
CIPFA Code	https://www.cipfa.org/policy-and-guidance/publications/codes-of-practice
NAO	https://www.nao.org.uk/
NAO strategy 2025-30	https://www.nao.org.uk/wp-content/uploads/2025/02/nao-strategy-2025-2030.pdf
WGA	https://www.GOV.UK/government/collections/whole-of-government-accounts

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